

Message Text

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72

ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 OPIC-03 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SIL-01 MC-02 AGR-05

DODE-00 PM-03 H-02 L-02 PA-01 PRS-01 USIA-06 SAM-01

SAJ-01 NIC-01 /092 W

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R 290025Z MAR 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4363

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

CINCPAC HONOLULU HI

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: ECON, CH

SUBJ: PRC INDUSTRIAL DEVELOPMENT POLICY

REF: HONG KONG 3204

SUMMARY. IN A SERIES OF ARTICLES OVER THE LAST WEEK NCNA HAS FEATURED EXAMPLES OF ECONOMIC AND INDUSTRIAL DEVELOPMENT IN LARGE CITIES (PEKING AND TIENTSIN), MEDIUM-SIZED CITIES (CHANGCHOU, KIANGSU AND CHANGCHUN, KIRIN), IN PROVINCES (KIAONING, TSINGHAI, KWANGSI), AND AT TACHING. AS THEY ARE ESSENTIALLY A REAFFIRMATION OF WELL-ESTABLISHED PRC ECONOMIC POLICY, THE ARTICLES ARE OF PRIMARY INTEREST MAINLY IN TERMS OF TIMING -- WHEN PLANNING FOR THE NEXT FIVE YEAR PLAN AND THE LONGER-RANGE TEN-YEAR PLANS ARE IN
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PROCESS -- AND IN SPELLING OUT IN SOME DETAIL HOW THE

PRC'S INDUSTRIAL DEVELOPMENT STRATEGY IS SUPPOSED TO BE APPLIED. THE THEMES EXPRESSED ARE NOT NEW: SELF-RELIANCE, AND THE AGRICULTURE, LIGHT INDUSTRY, HEAVY INDUSTRY FORMULA OF PRIORITIES. THERE ARE SOME SIGNS, HOWEVER, THAT OPPOSITION TO ESTABLISHED ECONOMIC POLICY IS STILL BEING MET. END SUMMARY.

1. THE THRUST TOWARD SELF-RELIANCE IS CARRIED DOWN TO REGIONAL AND LOCAL UNITS AS A MEASURE TO PROMOTE SELF-SUFFICIENCY AND FINANCIAL INDEPENDENCE. IT COMES THROUGH MOST CLEARLY IN THE DESCRIPTION OF TACHING'S NON-PETROLEUM ACHIEVEMENTS. LABELED A "NEW-TYPE" INDUSTRIAL AREA, TACHING IS FAVORABLY DESCRIBED AS A "MODERN PETROLEUM PRODUCTION CENTER AND A LARGE MODERN FARM" EMBRACING THE WHOLE RANGE OF "AGRICULTURE, COMMERCE, CULTURE, EDUCATION AND MILITARY AFFAIRS." THIS MATCHES THE DESCRIPTION OF THE UNITS OUTSIDE SHANGHAI THAT HAVE BEEN EXTOLLED IN "RED FLAG" AND "STUDY AND CRITICISM" (ER-22, HK-11922, DTG 020545Z NOV 1974) AND IN THE SENSE OF FORMING A SELF-CONTAINED UNIT ABLE TO MEET ALL BASIC NEEDS, THIS IS CLEARLY THE DESIRED MODEL FOR URBAN-RURAL INTEGRATION.

2. FUNDS TO FINANCE INDUSTRIAL EXPANSION ARE TO BE ACCUMULATED THROUGH A CLOSELY KNIT WEB OF MUTUALLY-SUPPORTING ENTERPRISES FOLLOWING THE WELL-WORN PRIORITY OF AGRICULTURE, LIGHT INDUSTRY, HEAVY INDUSTRY. WITH STATE FUNDS IN SHORT SUPPLY AND LARGELY EARMARKED FOR BIG-TICKET ITEMS (REFTEL, ADMINISTRATIVE UNITS FROM THE COMMUNE UP ARE ENCOURAGED TO DEVELOP SMALL AND MEDIUM-SIZE INDUSTRIES GEARED TO LOCAL RESOURCES AND CONDITIONS.

3. IN CHANGCHUN, FOR EXAMPLE, ACORDUROY INDUSTRY, UTILIZING COTTON AND OTHER FARM PRODUCE FROM THE SURROUNDING AREA, HAS BUILT UP EXPORTS, TRAINED TECHNICAL PERSONNEL, AND DEVELOPED FUNDS FOR HEAVY INDUSTRY. THE RESULTING DEVELOPMENT OF HEAVY INDUSTRY HAS PRODUCED TRACTORS, DIESEL ENGINES AND CHEMICALS FOR EXPANDING AGRICULTURAL PRODUCTION. SIGNIFICANTLY, IT IS SAID THAT OF THE 360 INDUSTRIAL ENTERPRISES AND MINES IN CHANGCHUN, ONLY FIVE PERCENT RECEIVED FINANCIAL HELP FROM THE CENTER; THE REST WERE LIMITED OFFICIAL USE

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FINANCED BY FUNDS ARISING FROM LOCAL PRODUCTION, ACCORDING TO NCNA.

4. THIS IS A STRATEGY BUILT ON THE BEDROCK OF SELF-RELIANCE DOWN TO THE LOWEST LEVEL, YET SET TO FUNCTION THROUGH PLANNED, CLOSE INTEGRATION AMONG DIFFERENT UNITS AND SECTORS. IT SEEKS TO ENCOURAGE THE FULLEST USE OF IDIGENOUS RESOURCES, THOUGH NOT TO THE COMPLETE EXCLUSION OF FOREIGN IMPORTS,

TO MOVE TOWARD CHOU EN-LAI'S NPC GOAL OF A SOCIALIST, MODERN, INDUSTRIAL SOCIETY. (THE IMPLICIT GOAL OF INCREASED MATERIAL WEALTH ALSO IS HIGHLIGHTED IN THE NCNA EXAMPLES BY THE EMPHASIS PLACED ON MEETING CONSUMER DEMAND THROUGH THE LIGHT INDUSTRY SECTOR.) IN SHORT, THE OVERALL PICTURE THAT EMERGES IS ONE OF A VERY RATIONAL, SYSTEMATIC APPROACH TO BALANCED ECONOMIC GROWTH. IF STABILITY CAN BE MAINTAINED, IT MIGHT WORK.

5. THERE ARE SIGNS, HOWEVER, THAT SOME OPPOSITION TO THIS POLICY IS STILL BEING MET. A MARCH 25 NCNA RELEASE OF A MARCH "RED FLAG" ARTICLE POINTS OUT THAT HEAVY INDUSTRY, DESPITE ITS THIRD PLACE RANKING, WILL STILL RECEIVE A LARGER SHARE OF FUNDS AND MATERIALS THAN AGRICULTURE AND LIGHT INDUSTRY SINCE IT PROVIDES THE "MEANS OF PRODUCTION" AND THE EQUIPMENT FOR THE OTHER TWO, WHICH PRODUCE THE "MEANS OF CONSUMPTION". "RED FLAG'S" MAIN POINT IS TO DRAW OUT THE "INTERDEPENDENT" ROLE OF THE "TWO DEPARTMENTS" IN CONTRAST TO THE APPROACH THAT SETS THEM IN OPPOSITION. IMPLIED IN ALL THIS IS THE CONTINUED EXISTENCE OF DISAGREEMENT OVER ECONOMIC DEVELOPMENT POLICY. BY PUTTING THE PRIORITY LIST IN PERSPECTIVE, "RED FLAG" MAY BE SEEKING TO REASSURE THOSE WHO HARBOR DOUBTS ABOUT DOWNGRADING HEAVY INDUSTRY'S PLACE -- AND THAT PROBABLY INCLUDES MANY IN THE MILITARY. IT MAY ALSO BE SEEKING TO ADD BALANCE BY REINING IN THOSE WHO MIGHT GET CARRIED AWAY WITH THE HIGHER RANKING OF AGRICULTURE AND LIGHT INDUSTRY, INCLUDING SOME WHO MAY COVET HIGHER LIVING STANDARDS (CONSUMPTION) EVEN AT THE EXPENSE OF SOME ACCELERATION OF ECONOMIC DEVELOPMENT (INVESTMENT).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, INDUSTRIAL DEVELOPMENT, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HONGK03284
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750110-0315
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975034/aaaaadjk.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 HONG KONG 3204
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by CunninFX>; APPROVED <13 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC INDUSTRIAL DEVELOPMENT POLICY
TAGS: ECON, CH
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006